

New York Clearing Corporation
One North End Avenue, 13th Floor
New York, New York 10282

BY ELECTRONIC TRANSMISSION

05-19
April 20, 2005

Ms. Jean A. Webb
Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: **Amendments to NYCC By-Law Sections 1.1, 3.3, 3.4, 3.5, 4.7, 4.9, 5.1, 5.2, 5.3, 5.6 and 6.5 and Rules 101, 110, 204, 205, 210, 301, 401, 504, 602, 702 and 802 -**
Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.6

Dear Ms. Webb:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended, and Commission Regulation 40.6, the New York Clearing Corporation ("NYCC") submits, by written certification, amendments to NYCC By-Law Sections 1.1, 3.3, 3.4, 3.5, 4.7, 4.9, 5.1, 5.2, 5.3, 5.6 and 6.5 and Rules 101, 110, 204, 205, 210, 301, 401, 504, 602, 702 and 802, attached as Exhibit A.

The amendments to By-Law Sections 1.1, 3.4(a), 5.1, 5.2(e), 5.3 and 5.6(d) and Rules 110, 204 and 804 update provisions of the by-law sections and rules to reflect current procedures and corporate structure. For example, in By-Law Section 1.1, the definitions referring to clearing organizations and exchanges that are no longer operating have been deleted, and references have been added to reflect the current corporate structure.

The amendments to By-Law Sections 1.1, 3.3, 3.4(b), 3.5, 4.7, 4.9, 5.2(a), 5.6(a)(ii), and 6.5 and Rules 101, 204, 205, 301(c), 401, 602 and 702(b) correct or clarify provisions contained in such by-laws or rules.

Amendments to By-Law Sections 1.1 and 5.2(d) and Rules 101, 210 and 702(d)(i) and (ii) delete provisions that were never used or are no longer necessary.

The more significant amendments are as follows:

(1) The definition of Capital in By-Law Section 1.1 was changed so that a clearing member's capital is computed using the most recent financial report or audited statement;

(2) The amendments to Rules 101 and 504(c) enable NYCC to place clearing members' margin deposits into interest-bearing accounts.

NYCC certifies that the amendments comply with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder.

NYCC's Board of Directors approved the amendments on April 11, 2005. No substantive opposing views were expressed by members or others with respect to the amendments. The amendments will go into effect on April 22, 2005.

If you have any questions or need further information, please contact me at 212-748-4084.

Sincerely,

Jill S. Fassler
NYBOT
Vice President
Associate General Counsel

cc: John Lawton
CFTC, Division of Clearing and Intermediary Oversight
Allen Cooper
CFTC, New York Regional Office

(In the text of the amendments below, additions are underlined and deletions are bracketed and lined out.)

Section 1.1. Definitions

Unless the context otherwise clearly requires, the following terms as used in the By-Laws and Rules shall have the following meanings:

* * *

Capital

Adjusted Net Capital computed in accordance with Commission Regulation 1.17, except that unsecured receivables from any bank organized under the laws of the United States or of any state shall be included as current assets, so long as such receivables are outstanding no longer than 30 days from the date they are accrued. For purposes of Sections 5.4 and 5.5 of these By-Laws, the Capital of any Clearing Member shall be computed as of the date of either (a) the most recent financial reports provided by such Clearing Member to the Corporation in accordance with these By-Laws and the Rules, or (b) such Clearing Member's latest audited financial statements, whichever [will result in higher Capital for such Clearing Member] is as of the more recent date.

[CCC

The Corporation.]

* * *

[CFCCNY

Commodity Futures Clearing Corporation of New York, a corporation organized and existing under the NPCL, its successor and any permitted assign.

CFFE

Cantor Financial Futures Exchange, Inc. a corporation organized and existing under the NPCL, its successor and any permitted assign.

CFFE Clearing Member

A Clearing Member which only has the privilege to clear Contracts effected on or subject to the rules of CFFE.]

* * *

[Citrus

Citrus Associates of the New York Cotton Exchange, Inc., a corporation existing under the NPCL, its successor and any permitted assign.

Class B Clearing Member

A Clearing Member which has the privilege to clear Contracts in financial instruments but only as part of arbitrage transactions for its proprietary account with an Arbitrage Bank.]

* * *

Corporation

[Commodity] New York Clearing Corporation, a corporation existing under the BCL, its successor and any permitted assign.

* * *

[CSCE

Coffee, Sugar & Cocoa Exchange, Inc., a corporation existing under the NPCL, its successor and any permitted assign.]

EXHIBIT A

* * *

Deliverer

The Clearing Member, whether acting for itself or for any other Person, that is the seller under any futures contract.

* * *

Exchange

[CSCE, NYCE, Citrus, NYFE, CFFE,] NYBOT and any other board of trade, exchange or market for which the Corporation acts as a clearing organization, and their respective successors, by merger or otherwise.

[Former Clearing Organization

With respect to any Exchange, any clearing organization (including the Corporation) which cleared transactions on or subject to the rules of such Exchange within six months prior to the Operational Date.]

Exchange Director

The meaning set forth in Section 3.4(a).

* * *

[NYBT] NYBOT

Board of Trade of the City of New York, Inc., a corporation organized and existing under the NPCL, its successor and any permitted assign.

[NYCE

New York Cotton Exchange, a corporation existing under the NPCL, its successor and any permitted assign.

NYFE

New York Futures Exchange, Inc., a corporation organized and existing under the BCL, its successor and any permitted assign.]

* * *

[Operational Date

The first day on which the Corporation clears Contracts traded on or subject to the rules of CSCE.]

* * *

[Position Limit

The limit established by the Board pursuant to Section 5.6(a) on the total Net Interest and/or the total Offset Interest that any Clearing Member may have open with the Corporation at any one time.]

Position Risk, Permitted Position Risk, Supermargin Position Risk, Permitted Supermargin Position Risk

The meanings set forth in Section 5.6(a).

* * *

Receiver

The Clearing Member, whether acting for itself or for any other Person, that is the buyer under any futures contract.

* * *

Withdrawal Date

The meaning set forth in Section 5.5(g)(i), as affected by Rule 209(c).

Section 3.3. Qualifications of Directors

(a) ~~[Each]~~ At the time of election to the Board, ~~each~~ director ~~[shall]~~ must be at least eighteen (18) years of age ~~[and shall]~~ must not be ineligible to serve pursuant to paragraph (c) of this Section 3.3 and (except for Exchange Directors) must be an Affiliated Person of a Clearing Member.

[REMAINDER OF BY-LAW SECTION UNCHANGED]

Section 3.4. Election, Appointment and Term of Office

(a) ~~The [initial Board shall consist of four directors appointed by CCC (who shall be Affiliated Persons of clearing members of CCC), four directors appointed by CFCCNY (who shall be Affiliated Persons of clearing members of CFCCNY), one director jointly appointed by CCC and CFCCNY (who shall be an Affiliated Person of a clearing member of both CCC and CFCCNY) and two directors appointed by NYBT. Two of the directors so appointed by CCC, two of the directors so appointed by CFCCNY and one of the directors appointed by NYBT shall have a term of office expiring at the first annual meeting of shareholders which takes place not less than one year after the Operational Date, and until their respective successors have been elected or appointed and have taken office. Two of the directors so appointed by CCC, two of the directors so appointed by CFCCNY, the director jointly appointed by CCC and CFCCNY and one of the directors appointed by NYBT shall have a term of office expiring at the first annual meeting of shareholders following the annual meeting referred to in the preceding sentence]~~ Board shall consist of eleven directors, nine of whom shall be elected by the Shareholders after receiving recommendations from the Clearing Members as provided in paragraph (b), and two of whom ("the Exchange Directors") shall be elected without such recommendations. Directors elected or appointed prior to the 2005 annual meeting of Shareholders shall hold office for the terms to which they were elected or appointed and as otherwise provided in these By-Laws.

(b) ~~At each annual meeting of Shareholders [which takes place not less than one year after the Operational Date]~~ the Shareholders shall elect directors to succeed those whose terms of office expire at such meeting. Not less than 90 days prior to each such annual meeting, the Board shall appoint a Nominating Committee consisting of five ~~[Associated]~~ Affiliated Persons of Clearing Members, none of whom shall be members of the Board. Not less than 80 days prior to such annual meeting, the Nominating Committee shall nominate one or more candidates to be recommended by the Clearing Members to succeed each of the directors whose terms will expire at such annual meeting (other than the ~~[director appointed by NYBT or any successor to such director]~~ Exchange Directors) and shall report the names of such candidates to the President. At least one of such candidates shall be in the category of an Affiliated Person of a Clearing Member having Capital of \$25,000,000 or less, and at least one of such candidates shall be in the category of an ~~[Associated]~~ Affiliated Person of a Clearing Member having Capital of \$100,000,000 or more. The President shall forthwith notify the Clearing Members of the names of the candidates so nominated. Any five Clearing Members may nominate any other candidates by filing a petition with the President not later than 70 days prior to such annual meeting. The list of all candidates nominated as hereinbefore provided shall be sent to the Clearing Members, and a meeting shall be held at which Clearing Members may vote for candidates to be recommended to succeed each of the directors whose terms are expiring at such annual meeting (other than the ~~[director appointed by NYBT or any successor to such director]~~ Exchange Directors). The results of such voting shall be reported to the Shareholders, but shall be advisory only. At the annual meeting, the Shareholders shall elect directors who may but need not include any or all of the individuals so recommended by the Clearing Members; provided that all but one of the directors so elected must be Affiliated Persons of Clearing Members, at least one of whom shall be in the category of an Affiliated Person of a Clearing Member having Capital of \$25,000,000 or less, and at least one of whom shall be in the category of an ~~[Associated]~~ Affiliated Person of a Clearing Member having Capital of \$100,000,000 or more.

(c) The directors elected at each annual meeting shall hold office for a term of two years and until their respective successors have been elected and have taken office.

Section 3.5. Meetings

(a) The annual meeting of the Board shall be held on such day and at such time as the Board may fix, for the purpose of ~~[electing]~~ appointing officers and transacting such other business as may properly come before the meeting.

[REMAINDER OF BY-LAW SECTION UNCHANGED]

Section 4.7. President

The President shall supervise the business and affairs of the Corporation, subject to the direction of the Board. The President shall not be a member of the Board or a ~~[Shareholder]~~ Shareholder. The President shall perform all duties customarily incident to the office of president.

Section 4.9. Secretary

The Secretary shall keep the minutes of all meetings of the Board ~~[and]~~ Clearing Members and Shareholders. The Secretary shall give or cause to be given notice of all meetings of the Board and the Clearing Members and Shareholders and all other notices required by law or the By-Laws. In the event of the absence of the Secretary or the refusal by the Secretary to do so, any such notice may be given by any person so directed by the President or by the directors or by the ~~[Member]~~ Shareholder or ~~[Members]~~ Shareholders upon whose request the meeting is called. The Secretary shall have charge of the corporate books and records. The Secretary shall have custody of the seal of the Corporation and shall affix the seal to all instruments requiring such seal when authorized by the Board or President and shall attest the same. In general, the Secretary shall perform all duties customarily incident to the office of secretary.

Section 5.1. Status of Clearing Members

(a) Only Clearing Members shall be entitled to clear Contracts with the Corporation, except that, if the Board so determines, the Corporation may clear contracts, options or other instruments for members of any other clearing organization in connection with the linkage of an Exchange with another board of trade, exchange or market which is not an Exchange. Each Clearing Member shall have the privilege of clearing with the Corporation all Contracts traded on or subject to the rules of each Exchange of which it is a member or member firm ~~[(or, in the case of CFFE Clearing Members, CFFE)]~~, whether for customer or proprietary account, as specified in paragraph (b) of this Section 5.1.

(b) ~~[The Board may designate Clearing Members, at their request, as CFFE Clearing Members, Class B Clearing Members or Self-Clearing Clearing Members, subject to the following:~~

~~(i) A CFFE Clearing Member may only clear Contracts effected on or subject to the rules of CFFE;~~

~~(ii) A Class B Clearing Member may only clear Contracts in such financial instruments as may be approved from time to time by the Board, but only as part of arbitrage transactions for its proprietary account with an Arbitrage Bank; and]~~

~~(iii)] A Self-Clearing Clearing Member may clear Contracts effected on or subject to the rules of an Exchange, but only for the proprietary account of such Self-Clearing Clearing Member.~~

[REMAINDER OF BY-LAW SECTION UNCHANGED]

Section 5.2. Eligibility Requirements

To become and remain a Clearing Member and to have the privilege of clearing Contracts effected on or subject to the rules of one or more Exchanges, a Person must:

(a) ~~[Except in the case of Self-Clearing Clearing Members, be]~~ Be an Entity that is a member firm of such Exchange or Exchanges ~~[-and effective January 1, 2005, in the case of Self-Clearing Clearing Members, be an Entity];~~

* * *

(d) ~~[In the case of a Class B Clearing Member, be a non-bank entity associated with a single arbitrage bank approved by the Corporation for the purpose;~~

(e) ~~In the case of a Self-Clearing Clearing Member, have been a self-clearing clearing member of either CCC or CFCCNY immediately prior to the Effective Date;~~

(f) Have, in the judgment of the Board, such qualities of financial responsibility, operational capacity, experience, business integrity, reputation and competence as the Board, in its discretion, may consider necessary or appropriate to be a Clearing Member; and

(g) If an Entity which is subject to Control by any other Person or Persons, have on file with the Corporation a Guaranty in such form as the Corporation may prescribe from such other Person or from one or more of such other Persons (as the Corporation may specify) guaranteeing payment of all amounts owing by such Entity under or in connection with any proprietary account carried by the Corporation for such entity; provided, however, that the Board may, for good cause shown, waive or modify the requirements of this paragraph (g) with respect to any such Entity.

Section 5.3. Procedure for Becoming a Clearing Member

(a) Any Person desiring to become a Clearing Member ~~[(including without limitation a CFPE Clearing Member, a Class B Clearing Member or a Self-Clearing Clearing Member)]~~ must file an application with the Corporation in such form as the Corporation may prescribe, shall furnish such documents and information as the Corporation may request and shall pay such application fee as the Board may prescribe. The filing of any such application, documents and information, and the action by the Corporation with respect thereto, shall be as provided in the Rules.

[REMAINDER OF BY-LAW SECTION UNCHANGED]

Section 5.6. Position [Limits] Risk

(a) For the purpose of this By-Law, the following terms shall have the meanings set forth below, unless the context otherwise requires:

* * *

(ii) "Permitted Position Risk" of any Clearing Member shall mean the maximum Position Risk which the ~~[clearing member]~~ Clearing Member is permitted to have pursuant to paragraph (b) of this By-Law.

* * *

(d) Notwithstanding paragraph (c) hereof, the Board may establish for any Clearing Member a Permitted Position Risk and Permitted Supermargin Position Risk which is lower than those established pursuant to paragraphs (b) and (c) hereof, based on the Board's evaluation of the financial and operational capacity of the Clearing Member, and such other factors as the Board, in its discretion, deems appropriate, including but not limited to, (A) the Capital, business needs and financial condition of the Clearing Member; (B) the number of memberships on other clearing organizations held by the Clearing Member; (C) the average number of contracts cleared by the Clearing Member through each clearing organization each day and each month during the preceding twelve months and the extent to which such contracts were cleared for either customer accounts, proprietary accounts, or both; (D) the length of time the Clearing Member has been a Clearing Member ~~[and/or a clearing member of any Former Clearing Organization];~~ and (E) the number of guarantees given by such Clearing Member of the obligations of any member of any futures or options exchange in the United

States.

[REMAINDER OF BY-LAW SECTION UNCHANGED]

Section 6.5. Exculpation and Reimbursement of Corporation

(a) NEITHER THE CORPORATION, ~~[NYBT]~~ NYBOT NOR ANY EXCHANGE, NOR ANY DIRECTOR, COMMITTEE MEMBER, OFFICER, AGENT OR EMPLOYEE OF THE CORPORATION, ~~[NYBT]~~ NYBOT OR ANY EXCHANGE, SHALL BE LIABLE TO ANY CLEARING MEMBER FOR ANY DAMAGES ARISING OUT OF OR IN CONNECTION WITH ANY ERROR, ACT OR OMISSION ON THE PART OF THE CORPORATION, OR ON THE PART OF ANY PERSON IN THE CAPACITY OF MEMBER OR IN THE CAPACITY OF DIRECTOR, COMMITTEE MEMBER, OFFICER, AGENT OR EMPLOYEE OF A MEMBER OR OF THE CORPORATION, WHETHER OR NOT SUCH DAMAGES ARE DUE TO NEGLIGENCE, UNLESS SUCH ERROR, ACT OR OMISSION WAS THE RESULT OF WILLFUL OR WANTON CONDUCT OR WAS IN BAD FAITH.

[REMAINDER OF BY-LAW SECTION UNCHANGED]

Rule 101. Definitions

Unless the context otherwise clearly requires, all terms defined in the By-Laws shall have the same meanings when used in these Rules, and in addition the following terms shall have the following meanings when used in these Rules:

* * *

~~[The term "Class B Members" means Clearing Members described in and subject to the provisions of Rule 210.]~~

The term "Compensated Deposit Account" means an interest-bearing or otherwise compensated deposit account maintained by the Corporation at an Approved Financial Institution that has been approved by the Board for the deposit of original margin and that satisfies any applicable requirements under the Act and the Commission Regulations.

The term "Events of Default" shall have the meaning set forth in Rule 801.

Rule 110. Notices to Clearing Members

The delivery by hand, electronic transmission, telefacsimile or telephone of any notice, order or other communication to a Clearing Member at the address, telefacsimile number or telephone number last designated by it~~[, or to the locked box of such Clearing Member provided for under Rule 206,]~~ shall be good and sufficient delivery thereof to such Clearing Member.

Rule 204. Receipt of Documents

~~[(a) The Corporation shall assign a locked box at the office of the Corporation (or of a designated agent of the Corporation) to each Clearing Member for the distribution of forms, papers, documents, notices, statements and such other items as the Corporation deems appropriate.~~

~~(b)] Every Clearing Member shall [send an authorized representative to the office of the Corporation for receipt of any documents delivered pursuant to the Rules and of all items placed in the locked box of the Clearing Member at such intervals as may be necessary for the Clearing Member to perform all its obligations under the Rules, but not less frequently than once] regularly monitor its electronic communication facilities during the course of each Business Day for receipt of communications from the Corporation.~~

~~[(e) THE CORPORATION SHALL HAVE NO RESPONSIBILITY FOR THE FORM OR CONTENT OF ANY TICKET, CHECK, PAPER, DOCUMENT OR OTHER MATERIAL (OTHER THAN ANY SUCH MATERIAL PREPARED BY IT) PLACED IN THE LOCKED BOX ASSIGNED TO EACH CLEARING MEMBER, OR OTHERWISE HANDLED BY THE CORPORATION, OR FOR ANY IMPROPER OR UNAUTHORIZED REMOVAL FROM ANY SUCH BOX OR FROM THE CORPORATION'S FACILITIES OF ANY SUCH TICKET, CHECK, PAPER, DOCUMENT OR OTHER MATERIAL, INCLUDING ITEMS PREPARED BY THE CORPORATION.]~~

Rule 205. Documents, Materials and Communications Submitted to the Corporation

(a) All reports, documents, papers, statements, [tickets], notices, checks, [drafts, certificates of deposit] and other [items] communications or other materials required or permitted by the Rules to be submitted to the Corporation, except as may otherwise be specifically prescribed by the Rules, shall be delivered to the [office of the] Corporation or its designated agent at such times, in such form and in such manner as the Corporation shall require. Each item delivered to the Corporation shall specify the identity of the Clearing Member making such delivery.

[REMAINDER OF RULE UNCHANGED]

[Rule 210. Class B Clearing Members]

~~(a) Class B Clearing Members shall be non-bank Entities whose privileges and rights shall be limited to the sole purpose of conducting proprietary arbitrage in financial instruments between a bank (the "Arbitrage Bank") and a member of NYCE.~~

~~(b) Class B Clearing Members shall be subject to all obligations applicable to Clearing Members pursuant to the By-Laws and these Rules, except as may be otherwise provided by the By-Laws or these Rules, and to the obligations set forth in this Rule 210.~~

~~(c) Anything in the By-Laws or these Rules to the contrary notwithstanding, the following special requirements shall apply to Class B Clearing Members:~~

~~(i) A Class B Clearing Member must be associated with a single Arbitrage Bank which is approved by the Corporation for such purpose.~~

~~(ii) A Class B Clearing Member must be guaranteed by a non-bank Clearing Member which is not a Class B Clearing Member.~~

~~(iii) A Class B Clearing Member must obtain from the Arbitrage Bank and deposit with the Corporation a letter of credit in form and substance satisfactory to the Corporation. The value and terms of such letter of credit shall be as prescribed from time to time by the Board. The Board may limit the total dollar or foreign currency amount of the letters of credit which an Arbitrage Bank may have outstanding for purposes of meeting Class B settlements.~~

~~All such letters of credit:~~

~~(A) Must set forth a sum certain in U.S. Dollars, which must at all times be equal to or exceed five percent (5%) of the value of arbitrage positions assumed by the Class B Clearing Member or such other amount as the Board may require in a specific instance.~~

~~(B) Must be replaced or renewed no later than five (5) business days preceding the expiration date.~~

~~(C) May be drawn upon, in whole or in part, at any time by the Corporation in its discretion. No bank may provide letters of credit to Class B Clearing Members which exceed in the aggregate, 10% of its capital and surplus, except by prior application to and approval of the Corporation.~~

~~(iv) A Class B Clearing Member shall make and maintain a security deposit in the amount of \$50,000 or such other amount as may be required pursuant to the Rules or by the Board.~~

(A) Up to \$25,000 of such security deposit may be deposited as Treasury Bills with the remainder in cash (U.S. Dollars).

(B) Such security deposit may be used to fulfill obligations not otherwise met by the Class B Clearing Member or the posted letter of credit.

(v) All Class B Clearing Members shall contribute to the Guaranty Fund in the same amounts and subject to the same conditions as other Clearing Members.

(vi) The financial condition of a Class B Clearing Member shall at all times be satisfactory to the Corporation. Each Class B Clearing Member shall furnish such financial statements and information as may be required by the Corporation from time to time in such form as may be prescribed by the Board.

(d) Application for Class B clearing membership shall be fully in accordance with the By-Laws and these Rules, except that Class B Clearing Member applicants shall submit a separate application form for this purpose and also execute and deliver to the Corporation agreements permitting the Arbitrage Bank to transfer its position to the books of a non-bank Clearing Member and agreements permitting the Corporation, in its discretion, to verify open positions of a Class B Clearing Member with the Arbitrage Bank, to send trade registers and recap ledgers of the Class B Clearing Member to the Arbitrage Bank, to collect and disburse monies directly to the Arbitrage Bank and such other agreements as the Board from time to time may require.

(e) Class B Clearing Members shall be subject to the same financial filing requirements as other Clearing Members.

(f) An Arbitrage Bank associated with a Class B Clearing Member is subject to the approval of the Corporation, which may at its discretion refuse to approve such Arbitrage Bank. All Arbitrage Banks must complete an application and execute such agreements as are required by the Corporation to become an approved Arbitrage Bank.

(g) When a Class B Clearing Member carrying open trades in an arbitrage account has been suspended or otherwise terminates its Class B Clearing Membership, or the Arbitrage Bank requests a change of Clearing Members, then the Corporation shall transfer the arbitrage account at the settlement price of the prior day to another Clearing Member who may conduct such arbitrage, who has agreed to such transfer and who has been designated by the Arbitrage Bank; provided, however, that no such transfer shall be permitted unless there is filed with the Corporation prior to such request or event, an "Agreement of Class B Clearing Member" form signed by the Clearing Member with whom the arbitrage account is first maintained permitting such assignment.

(h) Subject to the prior written approval of the Board or its delegate, existing trades may be transferred on the books of a Class B Clearing Member when an error has been made in the assignment of a trade or trades.]

Rule 301. Reporting

* * *

(c) Each Clearing Member shall notify the Corporation in writing:

(i) If its Capital declines from that shown on the latest financial statement filed by it with the Corporation for any reason by 20% or more, or by an amount which reduces [the positions which such Clearing Member may carry pursuant to any applicable Position Limit imposed by the Corporation] its Permitted Position Risk. Such notification shall be given not later than the Business Day following the event requiring such notification.

[REMAINDER OF RULE UNCHANGED]

Rule 401. Acceptance for Clearance

(a) The Corporation, by accepting a Contract offered to it for clearance by or on behalf of a Clearing Member, shall assume, in the place of each Clearing Member that is a party to such Contract, all liabilities and obligations imposed thereby to the Clearing Member that is the other party thereto, to the extent provided in Rule 401(b), and shall succeed to and become vested with all rights and benefits accruing therefrom. Such assumption by the Corporation shall terminate all liabilities and obligations of the Clearing Member whose Contract is so accepted to the other Clearing Member which was a party to such Contract ~~[until the delivery notice under such Contract is issued by or assigned to the Clearing Member as provided for in Rule 401(c)].~~

* * *

(c) When a delivery notice or ~~[Multiple Delivery Notice]~~ multiple delivery notice with respect to a futures contract of a Deliverer to sell a commodity is issued by the Corporation to a Receiver holding a futures contract to buy such commodity:

(i) such futures contracts shall be combined into a single contract between the Deliverer and the Receiver, whereby the Deliverer agrees to sell such commodity to the Receiver and the Receiver agrees to buy such commodity from the Deliverer, all on the terms and conditions specified in the futures contract being combined; and

(ii) the Corporation shall have no further rights or obligations under any of such contracts.

Notwithstanding the foregoing, the Corporation shall, as a convenience to the parties, continue to collect and pay variation margin from and to the Receiver and the Deliverer with respect to the combined contract in the same manner as it collects and pays variation margin on open futures contracts, and the Corporation shall continue to hold original margin with respect to such combined contract, all subject to and as provided in the Rules of the Listing Exchange. In the event that either the Deliverer or the Receiver shall default in paying any such variation margin when and as due with respect to such combined contract:

[REMAINDER OF RULE UNCHANGED]

Rule 504. Mechanics for Margins and Premium Payments

* * *

(c) Original margin shall initially be deposited in cash by each Clearing Member with the Corporation as provided in Rule 504(a). Thereafter~~[-a]~~:

(i) In the event that the Corporation has Compensated Deposit Accounts at such Approved Financial Institution, the Corporation may on the request of a Clearing Member transfer amounts equal to all or specified portions of such Clearing Member's cash original margin deposits to such Compensated Deposit Accounts and pay such Clearing member compensation on such amounts, all on such terms and conditions as the Corporation may from time to time prescribe; provided, however, that:

(A) Not more than 25% of the original margin requirement of any Clearing member may be met by amounts so transferred into Compensated Deposit Accounts; and

(B) Not more than 25% of the total amount of original margin held by the Corporation in any form may be held in Compensated Deposit Accounts at any one Approved Financial Institution; and

(ii) A Clearing Member may substitute for cash on deposit as original margin securities, Approved Foreign Currencies, and/or letters of credit meeting the requirements of Rule 505 and such other instruments as may be permitted by the Board. Such substitution shall be effected by delivering to the

Corporation, by the time specified by the Corporation on the day on which the Clearing Member wishes to make the substitution:

(A) ~~[(i)]~~ the securities, Approved Foreign Currencies, letters of credit and/or other instruments; and

(B) ~~[(ii)]~~ a request for the release of the cash original margin for which the securities, Approved Foreign Currencies, letters of credit or other instruments will be substituted.

[REMAINDER OF RULE UNCHANGED]

Rule 602. Margin on Delivery Notices

(a) Each Clearing Member which issues or receives a delivery notice for a commodity under any Contract (i) shall maintain original margin on each such Contract ~~[in accordance with these Rules and the rules of the Listing Exchange for such Contract]~~ and (ii) deposit with the Corporation variation margin for each such Contract in accordance with ~~[these Rules and the rules of the Listing Exchange for such contract]~~ Rule 401(c).

(b) If any Clearing Member shall not have deposited or paid any original margin, variation margin or option premiums due from it at the time it tenders a delivery notice to the Corporation, the Corporation may decline to accept such delivery notice.

Rule 702. Exercise of Options

* * *

(b) After the close on the last day of trading in any option, the Corporation will automatically exercise any open long option that has a striking price below (in the case of a call option) or above (in the case of a put option) the ~~[settlement price]~~ Settlement Price of the underlying futures contract or spread as determined by the Listing Exchange (without regard to whether the Corporation may use any other Settlement Price for any other purpose) on that day by an amount which equals or exceeds ~~[such automatic exercise level]~~ the minimum price increment permitted under the rules of the Listing Exchange for such option or such other differential as may from time to time be established by the Corporation for such option, unless, by such time as may be specified by the Corporation, the Clearing Member carrying any such option gives the Corporation ~~[written]~~ instructions by electronic communication that any such option is to expire unexercised.

* * *

(d) Upon exercise of any option on a futures contract, the Corporation shall make the entries on its books to convert each such exercised option into the underlying futures contract or futures contracts, or to effect cash settlement of such exercised option, as may be provided herein or ~~[otherwise specified]~~ by the Listing Exchange for such option.

~~[(i) In the case of any exercise of a call option, the option positions of both Clearing Members will be reduced by the number of options exercised; the Clearing Member exercising the option will be credited on the Corporation's books with a new long position in the underlying futures contract at a price equal to the striking price of the exercised option; and the Clearing Member assigned the exercise will be credited on the Corporation's books with a new short position in the underlying futures contract at a price equal to the striking price of the exercised option. In the case of any exercise of a put option, the option positions of both Clearing Members will be reduced by the number of options exercised; the Clearing Member exercising the option will be credited on the Corporation's books with a new short position in the underlying futures contract at a price equal to the striking price of the exercised option; and the Clearing Member assigned the exercise will be credited on the Corporation's books with a new long position in the underlying futures contract at a price equal to the striking price of the exercised option.]~~

~~[(ii) On the Business Day following the day of exercise of any option in which settlement is effected in cash, the Clearing Member on behalf of which the option is exercised and the Clearing~~

~~Member to which the option is assigned shall receive payment from or make payment to the Corporation in accordance with the rules of the Listing Exchange for such option.]~~

[REMAINDER OF RULE UNCHANGED]

Rule 802. Liquidation on Termination or Suspension of Clearing Member

(a) When a Person ceases to be a Clearing Member of any Exchange or is suspended as a Clearing Member of any Exchange, ~~[or, in the case of a Self-Clearing Clearing Member who is an individual, dies, becomes incompetent or is otherwise unable to act as a Self-Clearing Clearing Member as a result of any physical or mental disability]~~, all open Contracts on such Exchange carried by the Corporation for such Clearing Member shall be liquidated in the manner set forth in Rule 803 as expeditiously as is practicable unless and to the extent that:

[REMAINDER OF RULE UNCHANGED]